

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 CIAE-00 PM-04 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 COME-00 EB-07 LAB-04 SIL-01 TRSE-00
AGRE-00 /070 W
-----031838Z 057342 /45

P R 031640Z JUN 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC PRIORITY 1653
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY MOSCOW
AMCONSUL OPORTO
AMEMBASSY PARIS
AMCONSUL PONTA DELGADA
USMISSION NATO
DIA WASHDC
USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 4415

E.O. 11652: XGDS-3
TAGS: PINT, PO
SUBJECT: SHORT-TERM POLITICAL OUTLOOK

REF: LISBON 4178

SUMMARY: THE GOVERNMENT AND THE POLITICAL OPPOSITION HAVE
AGREED TO GIVE PRIORITY LEGISLATIVE ATTENTION TO BILLS ON
AGRARIAN REFORM, COMPENSATION, THE FOREIGN INVESTMENT IN-
STITUE, STRIKES, AND WORKER PARTICIPATION IN MANAGEMENT.
DESPITE THE RECENT CHILL IN PS RELATIONS WITH THE DEMOCRATIC
OPPOSITION, SIGNS OF GREATER PSD-CDS FLEXIBILITY AND A MUTUAL
INTEREST IN MAKING THE SYSTEM WORK GIVE THE GOVERNMENT GOOD
PROSPECTS FOR GETTING ITS ECONOMIC PROGRAM THROUGH THE
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AZZEMBLY. MARIO SOARES HAS ASSURANCES FROM THE PRESIDENT THAT
EANES WILL BACK THE GOVERNMENT AND WILL NOT PERMIT THE
DEMOCRATIC OPPOSITION TO USE HIS WEIGHT TO PROVOKE A
CRISIS. END SUMMARY.

1. GOVERNMENT HANGS TOUGH: THE GOVERNMENT IS NOT AS
COHESIVE OR AS EFFECTIVE AS SOCIALIST LEADERS WOULD LIKE.

NONETHELESS, IT IS MAKING PREGRESS ON THE ECONOMIC, LABOR, AND AGRICULTURAL FRONTS, AND SOARES BELIEVES A MAJOR OVERHAUL AT THIS STAGE WOULD ONLY CREATE NEW PROBLEMS. THE SOCIALISTS REJECT A FORMAL DIALOGUE WITH THE PSD AND CDS WHICH WOULD GIVE THE APPEARANCE OF A COALITION. MARIO SOARES TOLD THE AMBASSADOR ON JUNE 2 THAT THE PSD/CDS SUMMIT HAD TRIGGERED AN ARTIFICAL CRISIS AND THAT THE SOCIALISTS HAD ASSURANCES OF SUPPORT FOR KEY LEGISLATION FROM THE PSD AND CDS MIDDLE LEVELS. SOARES NOTED THAT THE "CONSERVATIVE APPROACH" TO KEY ECONOMIC LEGISLATION WOULD BENEFIT THE PSD AND CDS.

2. PRESIDENT'S POSITION: SOARES TOLD THE AMBASSADOR THAT EANES HAD CAUTIONED PSD AND CDS LEADERS TO STOP CITING HIS APRIL 25 SPEECH AS AN ARGUMENT FOR AN "UNDERSTANDING" AMONG THE DEMOCRATIC PARTIES. EANES SAID THAT HIS APRIL 25 SPEECH HAD BEEN AN ATTEMPT TO BACK AWAY A BIT AFTER "EXCESSIVE IDENTIFICATION" WITH THE GOVERNMENT IN HIS MARCH 25 SPEECH. BUT EANES ACKNOWLEDGED HE HAD GONE TOO FAR AND LEFT HIMSELF OPEN TO THE MISINTERPRETATIONS BEING MADE OF HIS SPEECH. EANES REASSURANCES NOTWITHSTANDING, SOARES WAS CONCERNED AT THE DEMOCRATIC OPPOSITION'S OFFENSIVE AT A TIME WHEN THE COMMUNISTS WERE DECIDEDLY ON THE DEFENSIVE IN THE ALENTEJO. HE WAS ALSO WORRIED ABOUT WHAT HE VIEWED AS PSD TROUBLE-MAKING IN THE AZORES. SOARES WAS CONVINCED, HOWEVER, THAT HE RETAINED THE PRESIDENT'S CONFIDENCE AND THAT THE TWO HAD A GOOD UNDERSTANDING.

3. ASSEMBLY CALENDAR: THE PARLIAMENTARY GOURPS HAVE
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AGREED TO EXTEND THE LEGISLATIVE ASSEMBLY SESSION FROM ITS PRESCRIBED JUNE 15 CLOSING DATE UNTIL JULY 23. THE ASSEMBLY AGREED MAY 25 TO DEAL ON A PRIORITY BASIS WITH THE GOVERNMENT'S REVISED AGRARIAN REFORM LAW, THE FOREIGN INVESTMENT INSTITUTE LEGISLATION, AND THE THREE MEASURES CITED BY PRESIDENT EANES AS URGENT -- THE STRIKE LAW, THE LAW ON WORKER PARTICIPATION IN MANAGEMENT, AND THE LAW ON ASSEMBLY INSIDERS ESTIMATE THAT THE ABOVE FIVE MEASURES WOULD FULLY OCCUPY THE ASSEMBLY UNTIL ITS NEW CLOSING DATE. THE GOVERNMENT'S PROPOSED MEDIUM-TERM ECONOMIC PLAN HAS ALREADY BEEN DELAYED SEVERAL WEEKS AND WILL LIKELY BE PUT OFF UNTIL THE OCTOBER ASSEMBLY SESSION SO AS NOT TO DELAY MORE URGENT LEGISLATION.

4. PS CONFIDENT: THE PS LEFT WING HAS ALREADY SEPARATED ITSELF IDEOLOGICALLY FROM THE MAINSTREAM OF THE PARTY. A FORMAL SPLIT ON THE AGRARIAN REFORM BILL COULD COME IN THE LEGISLATIVE ASSEMBLY WHERE LOPES CARDOSO AND UP TO TEN FOLLOWERS MIGHT BOLT. THE PS, HOWEVER, IS CONFIDENT THAT IT CAN CONTINUE TO GOVERN WITHOUT LOPES CARDOSO AND COMPANY.

5. PSD/CDS RETREAT: THE PSD AND CDS HAVE SOFTENED THE INITIAL HARD POSITION TAKEN AT THEIR MAY 25 SUMMIT (REFTEL). AT THE SECOND MEETING JUNE 1, THE TWO PARTIES ANNOUNCED THEIR INTENTION TO COOPERATE IN THE LEGISLATIVE ASSEMBLY "THROUGH A SYSTEM OF MUTUAL CONSULTATION WHICH WOULD NOT PREJUDICE INDEPENDENT JUDGEMENT AND FINAL VOTES." AT THE PRESS CONFERENCE WHICH FOLLOWED, PSD AND CDS LEADERS DISCLAIMED ANY INTENTIONS TO PROPOSE A CENSURE MOTION OR TO FORCE EARLY ELECTIONS. THEY SAID IT WOULD BE "NATURAL" FOR THE PRESIDENT TO INTERVENE, BUT DID NOT CITE HIS APRIL 25 SPEECH. PSD ASSEMBLY FLOOR LEADER SERVULO CORREIA TOLD EMBOFF MAY 31 THAT THE PSD-CDS AGREEMENT ALLOWED THE TWO PARTIES TO VOTE FOR INDIVIDUAL GOVERNMENT MEASURES WITHOUT AN OVERALL AGREEMENT ON LEGISLATIVE STRATEGY AND PERMITTED THE PSD AND CDS TO TAKE DIFFERING POSITIONS ON ANY GIVEN PIECE OF LEGISLATION. THE SUMMIT AGREEMENT PROVIDED, CONFIDENTIAL

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HOWEVER, FOR THE PSD AND CDS TO NEGOTIATE WITH THE PS AS A UNIT SO AS TO PREVENT THE SOCIALISTS FROM PLAYING ONE PARTY OFF AGAINST THE OTHER. PSD AND CDS LEADERS ARE NOT SATISFIED THAT THEY ARE GETTING SUFFICIENT RETURN FOR THEIR COOPERATION WITH THE GOVERNMENT. MOREOVER, THE CDS AND MANY PSD

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USIA-06 COME-00 EB-07 LAB-04 SIL-01 TRSE-00
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C O N F I D E N T I A L SECTION 2 OF 2 LISBON 4415

RANK AND FILE ARE PUSHING FOR A FIRMER OPPOSITION TO THE GOVERNMENT. PSD PRESIDENT SA CARNEIRO, ON THE OTHER HAND, MUST BEAR IN MIND THAT "LIBERALS" IN THE PARTY LEADERSHIP WOULD LIKE TO DUMP HIM AND MOVE CLOSER TO THE SOCIALIST PARTY.

6. COMMUNISTS LACK VIABLE SOLUTION: THE PCP IS CAUGHT BETWEEN ITS DISTASTE FOR GOVERNMENT POLICIES AND ITS RELUCTANCE TO PROVOKE FORMATION OF A GOVERNMENT TO THE RIGHT OF SOARES. THE COMMUNISTS HAVE CRITICIZED GOVERNMENT POLICIES IN BITTER TERMS, BUT THEY HAVE NOT UNDERTAKEN A FULL-SCALE ATTACK ON THE LABOR OR AGRARIAN REFORM FRONTS. PCP SECRETARY GENERAL ALVARO CUNHAL TOLD A MAY 29 COMMUNIST RALLY "DEMOCRACY WOULD
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NOT BE SERVED BY A SOCIALIST PARTY SPLIT OR BY THE COLLAPSE OF THE PS GOVERNMENT." HE SAID THERE IS A NEED FOR A "DEMOCRATIC ALTERNATIVE TO THE ANTI-WORKER POLICIES" OF THE PS GOVERNMENT. THE PCP HAS PROMISED TO PROVIDE DETAILS IN ITS JUNE 4-5 CONFERENCE ON THE ECONOMY.

7. MODERATION FROM THE PRESIDENCY: THE PRESIDENT AND HIS STAFF WOULD CLEARLY LIKE TO SEE THE SOARES GOVERNMENT BECOME MORE EFFICIENT AND MOVE MORE QUICKLY ON URGENT NATIONAL PROBLEMS. IN THE LONG RUN, THE PRESIDENCY WOULD LIKE TO PROMOTE AN ALLIANCE BETWEEN LIKE-MINDED ELEMENTS IN THE PS AND PSD. THE PRESIDENCY REALIZES, HOWEVER, THAT THIS IS NOT FEASIBLE IN THE SHORT-TERM AND THAT THE SOARES GOVERNMENT IS BEST FOR NOW.

8. CONCLUSION: THE COMMUNISTS WILL FACE A FRONTAL CHALLENGE TO THEIR HEGEMONY IN THE ALENTEJO IN THE AGRARIAN REFORM BILL. THE PCP WILL HAVE TO DECIDE BETWEEN AN OFFENSIVE ON BEHALF OF ITS RURAL CONSTITUENTS, RISKING PUSHING THE GOVERNMENT FARTHER TO THE RIGHT, AND A TEMPORIZING STRATEGY WHICH LOOKS FORWARD TO BETTER TIMES ON KEY LEGISLATIVE MEASURES THE PS WILL CONTINUE TO LOOK FOR PSD AND CDS SUPPORT. DESPITE THE CHILL IN PS RELATIONS WITH THE PSD AND CDS, SIGNS OF PSD-CDS FLEXIBILITY AND A MUTUAL INTEREST IN MAKING THE SYSTEM WORK GIVE THE GOVERNMENT GOOD PROSPECTS FOR GETTING

ITS LEGISLATIVE PROGRAM THROUGH THE ASSEMBLY. THE PSD AND CDS
WILL NOT FORCE A CRISIS UNLESS THEY BELIEVE THE PRESIDENT
SUPPORTS THEM.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SOCIALISM, POLITICAL SITUATION, POLITICAL PARTIES
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LISBON04415
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X3
Errors: N/A
Expiration:
Film Number: D770198-1038
Format: TEL
From: LISBON
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770694/aaaaddzk.tel
Line Count: 228
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: fc60c785-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 LISBON 4178
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 21-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2290631
Secure: OPEN
Status: NATIVE
Subject: SHORT-TERM POLITICAL OUTLOOK
TAGS: PINT, PO, (EANES, ANTONIO DOS SANTOS RAMALHO)
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/fc60c785-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009